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DIRECTORATE OF INTELLIGENCE

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China: Transportation Briefs

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China has taken a number of steps toward increasing transport volume during the past few months. These include:

- o Obtaining a new seaborne cargo route through North Korea to eventually provide northeast China an alternate connection to the Trans-Siberian Railway which links Europe and the Far East.
 - o Initiating organizational changes within the Railway Ministry to alleviate bottlenecks for coal shipments to China's major coal port.
 - o Permitting foreign vessels to call at inland ports thereby relieving pressure on Shanghai--China's busiest port.
 - o Opening a new container berth at Huangpu and adding three used container ships to the fleet.
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Transshipment of Chinese Goods through North Korea

Last December China and North Korea reportedly signed a 10-year agreement giving China use of North Korea's Ch'ongjin port. The agreement was concluded in close coordination with Japanese shipping interests who, along with the Chinese, initially proposed reopening a 750-kilometer rail route from Harbin, China to Ch'ongjin. The route was last used in 1945 and is expected to handle up to 300,000 tons annually over the next few years. Japanese shippers initially will use the route to

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export agricultural products--primarily soybeans. Inadequate coordination and lack of suitable bulk cargo requirements delayed inauguration of the new route until the shipment to China in late March of 3,000 tons of Japanese fertilizer.

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This transshipment agreement will benefit all three states:

- o China's Dalian port will be less congested and inland transport costs will be reduced.
- o North Korea will gain additional foreign currency earnings and assistance in expanding its largest and busiest east coast port. China reportedly already has promised new cranes for Ch'ongjin. Moreover, China's use of Ch'ongjin would politically balance the Soviet Union's near exclusive use of Naja port.
- o Japan anticipates that the route--in addition to facilitating Sino-Japanese trade--will eventually provide another overland link with the Trans-Siberian Railway to carry container traffic to the Middle East and Western Europe.

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Container shipping companies will welcome the shortening of the East-West container route, which now requires containers to enter the Trans-Siberian system at the Soviet port of Nakhodka. In 1981, Japan's Jeuro Container Transport Inc. made trial shipments of containers via the Chinese rail system and the Trans-Siberian network to Western Europe. Recently, through-unit trains of containers from Western Europe via the Trans-Siberian to China were introduced by Intercontainer.* The opening of the Korean link to container traffic is the last barrier to inauguration of the new route. Early last year, China and the Soviet Union amended their transport agreement to cover containerized shipments and to permit the Soviet Union to ship goods through northeast China to North Korea.

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Both China and North Korea are engaged in rail construction projects that will improve the east-west flow of rail traffic. Electrification of the Korean rail lines between the Chinese border and Ch'ongjin reportedly will be completed by 1985. Xinhua, China's official news agency, recently reported the speeding up of double-track construction on the 1,500-kilometer Manzhouli-Harbin-Suifenghe route crossing northeast China. Containers probably will begin traversing these routes before both countries have completely upgraded the lines. When regular service begins, shipping costs and transit times will be less

* Intercontainer--International Transport by Transcontainers, headquartered in Switzerland--acts as the commercial agency for several Eastern and Western European railways.

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than those of the alternate routes between Europe and the Far East.

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Railway Bureaus Realigned for Coal Traffic

China's Ministry of Railways has been making organizational changes to alleviate bottlenecks in coal shipments. Two railway bureaus--both with coal transport problems--have been absorbed by neighboring bureaus to expedite coal shipments. The Taiyuan Railway Bureau, which served coal-rich Shanxi Province, has been placed under the control of the Beijing Railway Bureau. Although coal accounted for 85 percent of its traffic, the Taiyuan bureau had over 10 million tons awaiting transport out of Shanxi at the end of last year. The Beijing Railway Bureau now can provide unified control of shipments from Shanxi mines to Qinhuangdao--China's major coal-exporting port.

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For the southward movement of Shanxi coal, the Zhengzhou Railway Bureau has taken control of the neighboring Wuhan Railway Bureau. Late last fall coal traffic through the Wuhan Railway Bureau to Chang Jiang (Yangtze River) coal ports was halted for nearly a month by bureaucratic squabbling between rail and port officials. The Zhengzhou bureau now controls all coal shipments between Shanxi and the Chang Jiang.

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The Ministry of Railways also has reduced the number of bureau-level officials by nearly 40 percent and asserted at a national meeting on railway operations last month that the streamlined, more professional staff can improve service on the lines of the 18 remaining railway bureaus. Personnel cuts and reorganizations, however, probably will do little to improve coal shipments because overall demand already exceeds capacity on many North China railway routes. Still, a number of current rail construction projects may increase China's coal-handling capacity beginning in 1986.

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Additional Chinese Ports Opened to Foreign Ships

Xinhua recently announced that foreign ships already had called at two of China's three ports newly opened to foreign carriers. A freighter of Panamanian registry made a coastal port call at Quanzhou, Fujian Province on 1 May, and the first foreign ship since 1949 to call at an inland port entered the Chang Jiang port of Zhangjiagang six days later.

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These calls followed the Ministry of Communications' issuance in mid-April of regulations governing supervision and control of foreign ships plying the Chang Jiang to Nantong and Zhangjiagang. These ports, both upriver from Shanghai, can accommodate 10,000-ton ships, and each can handle over a million tons of cargo a year. They were opened to foreign vessels largely to relieve pressure on Shanghai--China's largest and busiest port. Quanzhou's opening may foster Fujian Province's foreign trade, but that port probably will attract little US

shipping interest because it can only accommodate ships up to 5,000-tons.

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China: Expanding Container Operations

Huangpu--south China's largest port--officially opened the No. 7 berth of its new container terminal on 26 April. The new berth has a water depth of 20 meters and offers modern container handling facilities including refrigerated container slots. When berth No. 8 is completed late in 1984, the full terminal will have a 300-working-day throughput of 100,000 standard international sized containers.

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In March, China again expanded its container fleet by purchasing three container ships built in the late 1970s. Equipped with five 25-ton cranes, each vessel can carry 1,140 20-foot-equivalent containers. The three ships probably will be used on a new China-Japan cargo line opening later this year. The agreement has been under negotiation since 1977, and ships of both nations currently are making test runs.

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